



Americans for Financial Reform
1629 K St NW, 10th Floor, Washington, DC, 20006
202.466.1885

July 23, 2013

Dear Senator:

The “Protect American Investments Act of 2013” (Act) was recently introduced by Senator Pat Roberts (R-KS). This legislation is a harmful and misguided response to the pending implementation of a financial transactions tax (FTT) in Europe. By requiring that U.S. companies fail to comply with European and other governments’ tax rules, the Act actually threatens the U.S. economy in two ways:

1. The Act would undermine efforts to enforce collection of U.S. taxes owed by foreign entities. The Act would prohibit any U.S. based company, entity, or person from paying or assisting in the payment of foreign FTTs, and prohibit the Department of Treasury from assisting foreign governments in collecting foreign FTTs in the United States. These prohibitions directly contradict U.S. policy requiring international cooperation in the collection of U.S. taxes abroad. For example, currently the Foreign Account Tax Compliance Act (FATCA) requires “foreign financial institutions to report directly to the IRS information about financial accounts held by U.S. taxpayers, or held by foreign entities in which U.S. taxpayers hold a substantial ownership interest.”^[1] But faced with the prospect that the U.S. government and U.S. market participants will be required to obstruct foreign countries’ tax laws, foreign countries, may, in turn, retaliate by refusing to comply with U.S. tax laws. The Act would therefore set a dangerous precedent for international non-cooperation, ultimately undermining the U.S.’s ability to collect its own taxes or address tax evasion by U.S. companies or individuals with foreign accounts.

2. The Act would harm both European and U.S. interests in preventing tax evasion. The European Commission’s FTT proposal espouses broad anti-evasion principles so market-participants cannot shirk their legal obligations. Similarly, the U.S. government has an interest in restricting tax evasion. Yet the Act undermines those mutual pursuits by barring U.S.-based companies, entities, and persons from paying certain FTTs imposed by foreign countries. It is unclear to what extent this provision will have unintended consequences, and perversely, even encourage tax evasion. For example, if a non-U.S. company creates an affiliate in the U.S. to evade the European FTT, our country will be effectively sponsoring tax havens. At a time when public attention in the U.S. is focused on how U.S. companies use offshore tax havens to avoid paying their fair share of the tax burden, it would be particularly inappropriate for the U.S. to pass legislation turning our own country into a tax haven for financial speculation.

The legislation appears to rely on baseless claims regarding the pending implementation of a financial transactions tax (FTT) in Europe and ignores the fact that for decades many countries with vibrant market centers—including the United Kingdom, Hong Kong, Singapore, Taiwan, South Korea, Australia, and Switzerland—have levied FTTs on all market participants who trade in their markets.

Rather than presenting a bill to obstruct the EU proposal, U.S. elected officials should be considering the potential benefits that such taxes could deliver for this country. An FTT would reduce dangerous and often predatory high-frequency trading, which harms financial markets and investors. It would also raise significant revenue for the nation's urgent needs.

Regardless of one's position on financial transactions taxes, U.S. interference with the collection of foreign taxes is shortsighted and would ultimately damage our interests and economy. We urge you to oppose this proposal.

Thank you for your consideration.

Sincerely,

ActionAid USA
AFL-CIO
Alliance for a Just Society
Alliance for Community Services (Chicago, IL)
American Federation of State, County and Municipal Employees (AFSCME)
Americans for Financial Reform
Americans for Tax Fairness
Campaign for America's Future
Chicago Political Economy Group
Community Voices Heard
Consumer Action
Friends of the Earth US
Fuerza Laboral
GrassRoots Organizing
IRON
Illinois People's Action
Institute for Policy Studies, Global Economy Project
Iowa Citizens for Community Improvement
Mahoning Valley Organizing Collaborative
Main Street Alliance
Maine People's Alliance
National Nurses United
National People's Action
National Women's Law Center
Northside Action for Justice (Chicago, IL)
Northside P.O.W.E.R.
Public Citizen
Southsiders Organized for Unity and Liberation (SOUL)

Sunflower Community Action
Syracuse United Neighbors
TakeAction Minnesota
Tax Justice Network USA
The International Brotherhood of Teamsters
The International Union, United Automobile, Aerospace and Agricultural Implement Workers of
America (UAW)
U.S. PIRG
VOCAL-NY